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27 August 1971

Economic and Military Reconstruction in
North Vietnam During July 1971

Introduction

This monthly report reviews economic developments within North Vietnam, including the receipt of economic and military aid and the construction of military facilities. These developments are selected on the basis of their relevance to North Vietnam's ability to continue supporting the war in Indochina and to restore the economy, and thus to their possible effect on the country's desire or need to negotiate a settlement of the current conflict.

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State Department review completed

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Excluded from automatic
downgrading and

Economic Policy

1. Clarification of economic guidelines emanating from the 19th Central Committee Plenum held in Hanoi last December continues to come. Following the usual announcement of an annual plan for 1971 the government apparently changed its mind after the Plenum and concluded that a three-year plan (1971-73) was both "possible and desirable." It was not until May that the first low-keyed references to a three-year plan began to appear in the press. The most recent details of the plan reaffirm the theme presented by Le Duan in February 1970 that the country's first priority task is prosecution of the military effort; the economic guidelines in order of priority are to: promote agricultural production, develop light industry, and develop key heavy industrial sectors. Clearly, the current plan is regarded as a transitional phase that, as conditions permit, will ultimately revert to emphasis on the development of heavy industry.

Construction

2. Few changes were observed in industrial construction [redacted] [redacted] the Thac Ba hydroelectric powerplant indicates that installation of generating machinery may already be taking place and initial operation of the plant can be expected around September or October. Capacity in this plant will be great enough to practically eliminate the system of power rationing that has been necessary since 1967. A new and large installation adjacent to the Thai Nguyen Iron and Steel Complex in an early stage of construction probably is the

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steel rolling mill contracted to be built with East German assistance. Completion of the rolling mill and restoration of remaining damage to the steel complex is likely to span another two years. At the Haiphong Cement Plant, construction has been resumed on the two remaining damaged cement kilns after one year of dormancy. Photographic coverage [redacted] of the Bac Giang Fertilizer Plant and the Co Dinh Chromite Concentrating Plant indicate no attempt thus far to repair bomb damage.

3. Work continued on Haiphong's Chamber of Commerce Wharves but only small progress was noted. Although the third new berth was not yet operational, construction of an additional quay wall and apron was noted at the western end of the new quay. [redacted]

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Apparently,

construction activity has ceased at the petroleum products storage area in Haiphong.

Foreign Aid

4. North Vietnam reacted to the announcement of Sino-US talks by seeking assurances of continuing aid from Communist China and recalling commercial and diplomatic representatives from abroad for consultation. Foreign Minister Nguyen Duy Trinh told [redacted] [redacted] that the Sino-US talks were a bilateral matter which had no bearing on North Vietnam's conduct of its affairs and that China had given assurances of continued aid.

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Despite this official stance, [] detected misgivings among other regime officials and he suspects an undercurrent of anti-Chinese sentiment. If North Vietnam is in fact experiencing a strained relationship, it has not yet become evident in the economic field. Trade patterns with Communist China remain essentially as before, and the Chinese aid program currently is more active than at any time since the 1968 bombing halt.

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5. Free World countries continue to keep North Vietnam at arm's length in trade and credit arrangements. The French-North Vietnamese long-term trade agreement signed in May to replace a comparable 1955 agreement is simply a declaration of intent to encourage trade without making any special commercial or financial arrangements. A French official noted that the agreement would only serve to satisfy North Vietnamese insistence that there be some sort of general agreement to cover commercial trade between the two countries. Similarly, the French government avoided backing a credit to develop North Vietnam's seafood industry by a private French firm, because its participation would have transformed the transaction from a government-guaranteed private bank loan to a government-to-government transaction. The refusal was partly based on possible political problems with the US and partly because of the fear of losing Export-Import Bank financing for French purchases of US goods due to the Fino Amendment. In June, the Japanese government reportedly rejected a request for a permanent North Vietnamese trade office in Tokyo on the grounds of delicate current

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relations with the US. Sweden was still sending "humanitarian aid" through offices of the Red Cross in July and has made plans for economic development loans, but these will not become effective until the war is over.

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Conclusions

14. In July Hanoi reaffirmed its previously stated position that the war effort takes precedence over economic development and laid out the economic guidelines of the current three-year plan, which focuses on agriculture, light industry, and key heavy industrial projects, in that order. The absence of quantified targets, however, suggests only a general formulation of plans at this time.

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15. North Vietnam's concern over announcement of the Sino-US talks resulted in immediate reassurance of continued aid from Communist China, and there are no indications thus far of any changes in Chinese support. Free World trading countries, on the other hand, still hold tight reins on the extension of credit or development loans. If the Sino-US talks or the more recent US import surcharge has stimulated a reconsideration of Free World trade policies, it has not yet been reported.

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